

Follow-up audit on the state's activities in ensuring a safe working environment

Has the state taken steps to ensure that its workers are protected while at work?

Report of the National Audit Office to the Riigikogu, Tallinn, 10 March 2011

Summary of audit results

The National Audit Office completed its audit entitled "The state's activities in reducing the number of occupational accidents" in 2007, as a result of which it found that the state had not done everything it needed to in order to ensure a safe working environment for the people of Estonia. The purpose of this audit was to determine whether the recommendations the National Audit Office made four years ago had been acted on and whether the state had done everything within its power to preserve the working capacity of the population by ensuring a safe working environment.

Problems are growing in Europe related to the aging of the population. Demographic trends in Estonia are similar to those across the continent: numbers are decreasing in terms of the working age population (15–64) and the age-based structure of the population is certain to undergo significant changes in the coming decades. More and more workers will be needed every year simply to preserve the volume of the economy at least at its current level. The working environment will also take on greater importance, since a safe and worker-friendly environment is the foundation of higher productivity and increased added value.

At the same time, the impact on the health care and social welfare systems is increasing as the population ages. The audit completed by the National Audit Office in October 2010 entitled "The state's activities in supporting the disabled and people receiving pensions for incapacity for work" indicated that the number of people who have lost their capacity to work had grown from *ca* 44,000 in 2001 to *ca* 78,000 in 2010 i.e. by 75%, now comprising 5.7% of the population. The state's expenditure on pensions for incapacity for work has grown constantly: from 663 million kroons (42 million euros) in 2000 to as much as 2.5 billion kroons (160 million euros) in 2009. A large number of people have withdrawn from the labour market in Estonia due to incapacity for work. However, a number of studies have shown that this leads to a decrease in their well-being and, in many cases, the risk of falling into poverty. This in turn places an obligation on the state to support these people in various ways. And as the working age population decreases, this means growing costs which, in future, the state may not be able to cover. As such, it is the view of the National Audit Office that the preservation and restoration of the population's capacity to work should be one of the highest priorities of the state in the coming years and that the state should adopt measures to improve the situation as it stands today.

More than half of the overall illness burden of the people of Estonia (i.e. loss of health) is suffered by its working age population. Estonians feel that the working environment dictates the state of their health to a large extent. Around 3000 occupational accidents are reported in Estonia every year, 20-30 of which lead to the deaths of the workers involved, while occupational illnesses and diseases strike around 70 people. Estonia is one of the few Member States of the European Union that lacks a separate insurance system for occupational accidents and diseases, which motivates employers to improve their working environments. However, the need for such a system has been felt for more than 15 years. Two draft acts on occupational accident and illness insurance were read in the Riigikogu in 2001 and 2002, but withdrawn in 2003. At the same time, no system has been created which would motivate both employers and employees.

The problems highlighted by the National Audit Office in its 2007 audit entitled "The state's activities in reducing occupational accidents" have not been resolved. Over the last three years the

state has taken no major steps to make the working environment a safer place. The Ministry of Social Affairs has acknowledged the problems, but has implemented no systematic changes which would motivate employees to improve the working environment with the aim of reducing the number of occupational accidents and illnesses.

- **The state has not acted consistently in ensuring the working capacity of the working age population.** Although the government, the Ministry of Social Affairs and the Ministry of Finance have identified preserving the working capacity of the working age population as a strategic goal forming part of their long-term objectives over the years, there are no tangible results to show for it. Despite the pressing need for one, Estonia has not introduced a system of occupational accident and illness insurance or even conducted an impact study in order to find a well-functioning alternative. Regardless of the various cabinet decisions taken by the government, the Ministries of Finance and Social Affairs have failed to develop a new draft act for the implementation of an occupational accident and illness insurance system. The National Audit Office would like to emphasise that a thorough analysis of the impact of such an act should be carried out prior to the act itself being drafted.
- **Employers are not covering the cost of occupational accidents and illnesses.** The National Audit Office found as early as 2007 that costs arising from occupational accidents and illnesses are primarily being covered through the state's pension and health insurance systems and that the way in which occupational accidents and diseases are compensated is not connected to the state of the working environment and the contribution made by employers.
- **Occupational accident and illness statistics do not reflect the actual situation,** since the number of such accidents and illnesses registered in Estonia is many times lower than EU Member State average. This is not because occupational accidents and illnesses are few and far between in Estonia, but rather that accidents which are not deemed to be serious are not reported, while occupational health matters are registered as general illnesses. It can be concluded from statistics related to occupational accidents causing death that up to three times as many occupational accidents occur in the country as are reported. It is the view of the National Audit Office that due to the lack of reliable information the state is unable to objectively assess the risks arising from the working environment, the actions required to restore people's working capacity or the costs this would involve, as a result of which the steps that the state should be taking to protect workers are not being taken.
- **The experience of other countries in making the working environment a safer place has not been sufficiently analysed.** The National Audit Office produced a brief analysis of the effectively functioning systems in Finland, Germany and the Netherlands and found that all three contain elements whose use should be considered in the development of an Estonian system. This should start, however, with a comprehensive analysis of its impact.

Recommendations of the National Audit Office to the Ministers of Finance and Social Affairs:

- The National Audit Office made a number of proposals to the Minister of Social Affairs in terms of how to better ensure the funding of the treatment (including diagnosis of diseases and illnesses) of those suffering due to their working environments and the compensation of damages. Here the accountability of employers must be greater and their obligations set out in more detail.
- The National Audit Office also recommended that the Ministers of Social Affairs and Finance carry out a comprehensive analysis of the potential for and influence of the introduction of

various types of occupational health care systems in Estonia and, on this basis, develop a system to be implemented in the country for working environment safety, the compensation of occupational accidents and illnesses and the rehabilitation of those affected by both.

Responses of auditees:

The National Audit Office submitted the audit report to two ministers for their opinions. In their responses, the auditees provided additional explanations regarding the audit report. The National Audit Office stands by its initial opinions.

The **Minister of Social Affairs** referred to the Health Care Services Organisation Act and the Health Insurance Act and as a result of these feels that in the case of occupational diseases and illnesses, determining a clear link with work does not constitute a health care service, due to which it cannot be financed from the health insurance budget. However, the minister was unable to name a source from which occupational illness expertise should be funded.

The Minister of Social Affairs is of the view that the current system of sickness benefits paid by employers is functioning adequately, but does not rule out that the issue of extending such benefits will return to the agenda. Neither does the minister rule out that the limits of employer liability will be raised in the event of a breach of occupational health and safety requirements.

The **Minister of Social Affairs** shares the view of the National Audit Office that the state should contribute more to the system regulating occupational health care and make it more effective, including analysing various policy options, taking into account the experience of other countries.

The **Minister of Finance** feels that the recommendations made by the National Audit Office are justified, since it is important to analyse the kind of health care system that would best suit Estonia. A study entitled "Options for the sustainable funding of Estonia's social insurance system", commissioned by the Ministry of Finance from Praxis and Tallinn University, is due for completion in June 2011. This study incorporates an analysis of funding options in the case of accidents and illnesses caused by the working environment, and also takes into account international experience. The minister added that the analysis should form input for the development of solutions within the Ministry of Finance with the aim of more effectively financing action to reduce the health risks related to the working environment.

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